

Message Text

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43

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 EB-07 AGR-05 AID-05 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 DODE-00

PA-01 USIA-06 PRS-01 L-03 /076 W

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R 061426Z AUG 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5662

INFO AMEMBASSY BEIRUT

USMISSION EC BRUSSELS

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR EEC ETRD EG

SUBJECT: EC-EGYPT COMMODITY SUPPLY AGREEMENT

REF A. STATE 182996 (NOTAL), B. BRUSSELS 6979; C. BRUSSELS 6603 (NOTAL)
L)

1. SUMMARY: EC EGYPT COMMODITY SUPPLY DECLARATION OF INTENT WAS SIGNED IN BRUSSELS JULY 19. OVER 3 YEARS, SALES OF \$750 MILLION ARE ANTICIPATED INCLUDING ONE MILLION TONS WHEAT PER YEAR PLUS SUGAR, MEAT AND MILK PRODUCTS. IN MOST CASES, MINIMUM AND MAXIMUM PRICES WERE AGREED UPON, BUT NO CREDIT FACILITIES WERE SPECIFIED. END SUMMARY

2. SERIES OF CONTRADICTIONARY ARTICLES APPEARED IN CAIRO PRESS IN RECENT DAYS CONCERNING THREE-YEAR \$750-MILLION DOLLAR EGYPT-EC AGREEMENT FOR MEAT, WHEAT, SUGAR AND DAIRY PRODUCTS. COML OFF HAS NOW OBTAINED COPY OF DECLARATION OF INTENT SIGNED IN BRUSSELS CONCLUDING TALKS HELD FROM JULY 16-19 BY EGYPTIAN MIN OF SUPPLY
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AL-SHAZLI AND P.J. LARDINOIS OF EC. AGREEMENT IS SUMMARIZED

BELOW. PHOTO COPY WILL BE POUCHED IN NEA/EGY AND USEC.

3. WHEAT EGYPT WILL BUY ANNUALLY FOR THREE YEARS, APPROXIMATELY ONE MILLION METRIC TONS OF WHEAT OR WHEAT FLOUR, AT LEAST 200 THOUSAND TONS OF WHICH WILL BE FLOUR. TWO THIRDS OF TOTAL WHEAT COMMITMENT WILL BE DELIVERED BETWEEN AUG 1, 1975 AND MARCH 1, 1976. REMAINDER MUST BE IMPORTED BY EGYPT DURING 6-MONTHS PERIOD COMMENCING FEB 1, 1976. DURING SECOND AND THIRD YEARS OF AGREEMENT, TWO THIRDS OF AGREED UPON AMOUNT MUST BE IMPORTED DURING FIRST SIX MONTHS OF THAT YEAR. FOR THE AGREEMENT'S FIRST YEAR, MINIMUM AND MAXIMUM PRICES WILL BE RESPECTIVELY \$US 120 AND \$175 PER TON. NEW MAXIMUM AND MINIMUM PRICES WILL BE DETERMINED FOR SECOND YEAR OF AGREEMENT, IN EC UNITS OF ACCOUNT BEFORE JULY 31, 1976. FLOUR PRICES WILL BE DETERMINED IN RELATION TO WHEAT PRICES CONSIDERING TECHNICAL SPECIFICATIONS OF BOTH PRODUCTS.

4. WHITE SUGAR. EACH YEAR FOR A PERIOD OF THREE YEARS BEGINNING JULY 1, 1975, EGYPT WILL IMPORT 75 THOUSAND TONS OF WHITE SUGAR. DELIVERY IN FIRST YEAR OF AGREEMENT WILL BEGIN OCT 1, 1975. PRICES FOB/EC WILL BE "336.5 UC AND 320.5 UC" PER TON.

5. CANNED AND FROZEN MEAT. EACH YEAR FOR THREE YEARS EGYPT WILL IMPORT 11 THOUSAND TONS OF FROZEN OR CANNED BEEF OF WHICH APPROXIMATELY ONE THOUSAND TONS WILL BE CANNED. FROZEN BEEF WILL HAVE MINIMUM PRICE OF \$800 AND MAXIMUM OF \$850 PER TON; PRICES ARE FIXED FOR TWO YEARS, ENDING ON JULY 1, 1976 AND 1977. PRICE REVISIONS WILL BE AGREED UPON BEFORE END OF SECOND YEAR.

6. MILK PRODUCTS. PARTIES WILL CONCLUDE LONG-TERM AGREEMENTS FOR FOLLOWING: 10 THOUSAND TONS POWERED SKIM MILK, 10 THOUSAND TONS BUTTER AND BUTTER OIL, AND 3 THOUSAND TONS CHEESE. MINIMUM AND MAXIMUM PRICES FOR POWDERED MILK ARE \$630 AND \$650 PER TON. CHEESE WILL BE EITHER CHEDDAR, GOUDA OR EDAM WITH MINIMUM AND MAXIMUM PRICES OF \$1,000 AND 1,150 PER TON.

7. FOOD ASSISTANCE. DOCUMENT RECORDS THAT EGYPTIAN REP NOTED DRASTIC REDUCTION IN FOOD ASSISTANCE PROVIDED BY EC IN RECENT YEARS. THE EC REP AGREED TO EXAMINE ADDITIONAL REQUESTS FOR LIMITED OFFICIAL USE

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FOOD ASSISTANCE, PARTICULARLY GRAIN. THE EC AGREED TO SUPPLY ADDITIONAL 10 THOUSAND TONS OF POWERED MILK FOR \$350 PER TON FOB UPON CONDITION THAT GOE ESTABLISH FREE DISTRIBUTION SYSTEM FOR NEEDY INDIVIDUALS.

8. TEXT OF AGREEMENT DOES NOT MENTION CREDIT. LAST WEEK, GOE SOURCES SAID THAT THESE ARE CASH TRANSACTIONS. DEPUTY MIN OF SUPPLY MAKAWI AUG 6 CONFIRMED THAT THERE WERE NO AGREED CREDIT

ARRANGEMENTS. FINANCING WAS DISCUSSED DURING MEETINGS BUT EGYPTIANS APPARENTLY FEEL THAT THEY CAN OBTAIN CREDITS FROM SUPPLIERS ON MORE FAVORABLE BASIS THAN THOSE DISCUSSED WITH EC. THUS, ISSUE OF CREDIT FACILITIES MAY HAMPER IMPLEMENTATION OF THIS DECLARATION OF INTENT.

9. THERE IS NO EXPLICIT LINKAGE BETWEEN THIS AGREEMENT AND EC FOOD ASSISTANCE TO EGYPT. WE NOTE, HOWEVER, THAT EC AT APPROXIMATELY SAME TIME AGREED TO FURNISH EGYPT WITH FOOD ASSISTANCE VALUED AT ROUGHLY \$20-25 MILLION FOR THREE YEARS (SEE REF C).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, COMMODITIES, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO07738
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750271-0861
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750875/aaaacnvw.tel
Line Count: 127
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 182996, 75 BRUSSELS 6603
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 18 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 APR 2003 by CunninFX>; APPROVED <08 DEC 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EC-EGYPT COMMODITY SUPPLY AGREEMENT
TAGS: EAGR, ETRD, EG, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006